

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 2060

INFO AMCONSUL ISTANBUL

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TAGS: ETRD MTN TU

SUBJ: MTN: TROPICAL PRODUCTS NEGOTIATIONS

REF: (A) STATE 006095 (B) 75 ANKARA 9337 (C) 75 STATE 291035

(D) 75 STATE 287116 (E) ANKARA A-125

1. IN REF (D), EMBASSY DISCUSSED VARIOUS NON-TARIFF BARRIER APPLIED IN TURKEY AND MADE SEVERAL RECOMMENDATIONS REGARDING OUR POSTURE IN THE FORTHCOMING TRADE NEGOTIATIONS WITH TURKEY. OVER THE LONG RUN THOSE RECOMMENDATIONS ARE STILL VALID. HOWEVER, THE DETERIORATION DURING THE PAST TWO YEARS OF TURKEY'S FOREIGN EXCHANGE SITUATION, INCLUDING ITS SEVERE BALANCE OF TRADE DEFICIT DURING 1975, AND THE TRADE DEFICIT PROJECTED FOR 1976 (APPROX \$3 TO \$4 BILLION) MAKE IT NOT APPROPRIATE TO ATTEMPT TO PRESS FOR FURTHER STEPS TOWARDS A MORE LIBERAL TRADE REGIME IN TURKEY. NEVERTHELESS, PERHAPS THE RECOMMENDATIONS (IN A-125) THAT THE U.S. SEEK CONVERSION INTO QUANTITATIVE TARIFFS OF SOME OF TURKEY'S NTB'S WHICH PROTECT DOMESTIC PRODUCTION COULD PERHAPS MORE REALISTICALLY BE PURSUED.

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2. A COPY OF THE ANNUAL PROGRAM (REGIME) FOR 1974 WAS ENCLOSED WITH A-125. THE IMPORT REGIME IN EFFECT DEFINES THE PRODUCTS THAT MAY BE IMPORTED INTO TURKEY AND CLASSIFIES IMPORTS EITHER AS FREE OR SUBJECT TO MONETARY QUOTA. SOME OF THE "FREE" PRODUCTS ARE SUBJECT TO ADMINISTRATIVE APPROVAL ON A CASE BY CASE BASIS. A PRODUCT NOT SPECIFICALLY LISTED AS IMPORTABLE IN THE IMPORT REGIME, IS EXCLUDED FROM IMPORT INTO TURKEY. A COPY OF THE NEW 1976 IMPORT REGIME WAS ENCLOSED WITH ANKARA'S A-7 OF JANUARY 16, 1976.

3. AN EMBASSY OFFICER ATTEMPTED TO EXPLORE IN GENERAL TERMS THIS MTN SUBJECT WITH GOT MINISTRY OF COMMERCE OFFICIALS DEALING WITH GATT AFFAIRS. THESE OFFICIALS POINTED OUT THAT TURKEY IS CLASSIFIED AS A DEVELOPING COUNTRY. THEREFORE, UNDER THE TOKYO DECLARATION TURKEY AND OTHER DEVELOPING COUNTRIES ARE TO BE GIVEN SPECIAL TREATMENT IN THE CURRENT MTN ROUNDS AOT IN RETURN TURKEY NEED ONLY GIVE "RELATIVE RECIPROCITY." WE WERE TOLD THAT A GOT COMMITTEE IS STUDYING WHAT QUID PRO QUO TURKEY MAY BE WILLING TO DISCUSS IN GENEVA AND THAT THESE RECOMMENDATIONS WILL LATER BE TRANSMITTED BY GOT TO ITS NEGOTIATING TEAM WHICH MAY BE WILLING TO PASS THEM ON TO THE U.S. DELEGATION. IN THE MEANWHILE, THE GOT APPEARS UNPREPARED AND UNWILLING TO PURSUE THIS SUBJECT WITH THE EMBASSY IN ANKARA.

4. EMBASSY AND CONSULATES GENERAL ISTANBUL AND IZMIR OFFICERS HAVE DISCUSSED TARIFF AND NON-TARIFF BARRIER PROBLEMS WITH BUSINESSMEN INCLUDING IMPORTERS, END-USERS, AND CUSTOMS BORKERS IN A FURTHER ATTEMPT TO IDENTIFY TRADE BARRIERS AND MEASURES ADDITIONAL TO THOSE IN REF (D) RESTRICTING U.S. TRADE WHICH GOT MIGHT FEASIBLY REDUCE OR ELIMINATE. THIS EXERCISE WAS NOT VERY FRUITFUL AND MOST OF THE OPINIONS GIVEN TENDED TO DWELL MORE HEAVILY ON THE NON-TARIFF SIDE OF THE QUESTION. HOWEVER, THERE WERE A FEW RELATIVELY INSIGNIFICANT SUGGESTIONS FOR THE REDUCTION OF SPECIFIC DUTIES.

5. MOST OF THE BUSINESSMEN INTERVIEWED COMPLAINED ABOUT THE COMPLICATED IMPORT AND FOREIGN EXCHANGE PROCEDURAL CONTROLS INCLUDING IMPORT LICENSING, ADVANCED DEPOSITS, MINISTERIAL APPROVALS, RESTRICTIVE QUOTAS, AND CONSIDERABLE PAPER WORK. THERE WERE ALMOST NO COMPLAINTS RECEIVED ON THE AMOUNT OF DUTY, STRICTLY SPEAKING, ASSESSED IMPORTS BUT THERE WERE COMPLAINTS OVER THE ADDITIONAL NON-TARIFF TAXES AND FEES PLACED ON IMPORTS. THE NATURE OF THESE ADDITIONAL NON-TARIFF LIMITED OFFICIAL USE

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FEES ARE SPELLED OUT IN A-125 AND THE IMPACT IS CLEARLY ONEROUS. FOR EXAMPLE, A \$100 IMPORT ITEM SUBJECT TO A 25 PERCENT CUSTOMS DUTY BUT PLUS CUSTOMS SURTAX, PLUS CUSTOMS WAREHOUSE AND HANDLING FEE, PLUS PIER TAX, PLUS PRODUCTION TAX, PLUS IMPORT STAMP TAX WOULD BE ASSESSED CHARGES TALLING 75 PERCENT. FOR EXAMPLE, CULTURE MEDIA (BTN 38.16) CARRIES A DUTY OF 35 PERCENT BUT THE OTHER NON-TARIFF CHARGES RAISE THE TOTAL TO 85 PERCENT. MOST OF THIS PARTICULAR PRODUCT COMES FROM THE U.S. AND ODDLY ENOUGH

THE LARGEST (ABOUT 95 PERCENT) CONSUMER IN TURKEY IS THE GOVERNMENT. THE IMPORTER TENDS TO COMPLAIN ABOUT THE TOTAL TARIFF PLUS NON-TARIFF FEES AND TREATS THE TOTAL AS HIS IMPORT DUTY -- IT MAKES NO DIFFERENCE

WHAT THE SEPARATE ITEMS ARE CALLED.

6. THE PIER TAX WHICH IS FIVE PERCENT OF CIF VALUE OF THE IMPORT PLUS CUYKOMS DUTY PLUS CUSTOMS SURTADIPLUS CUSTOMS WAREHOUSE AND HANDLING FEES IS APPLIED ONLY TO IMPORTS THAT COME BY SEA. SHIPMENTS THAT COME FROM EUROPE BY TRUCK HAVE THIS ADDED ADVANTAGE OVER U.S. SEA SHIPMENTS. EITHER THIS PIER TAX AND OTHER NON-TARIFF FEES SHOULD BE ABOLISHED OR THEY SHOULD BE CONVERTED INTO QUANTITATIVE CUSTOMS TARIFFS AND APPLIED UNIFORMLY TO ALL IMPORTS.

7. SEVERAL IMPORTERS AND GOVERNMENT OFFICIALS INFORMALLY CRITICIZED THE CUSTOMS REGULATIONS AS BEING OUTDATED AND, WITHOUT BEING SPECIFIC,

SUGGESTED A NEED FOR FUNDAMENTAL CHANGES IN THE CUSTOMS REGULATIONS AND CUSTOMS TARIFF LAW.

8. CLEARLY THE TURKISH GOVERNMENT USES THE ANNUAL IMPORT REGIME AS A MEANS OF: BANNING IMPORTS OF SOME ITEMS (BY NOT LISTING THE PRODUCT ON THE APPROVED LISTS), LIMITING OR BANNING OTHER IMPORTS (BY REQUIRING GOT MINISTERIAL OR AGENCY APPROVAL OF SPECIFIC COMMODITIES -- FREE LIST II), OR RESTRICTING THE AMOUNTS OF IMPORTS (BY EITHER PERTINENT MINISTRY UNDER FREE LIST II OR PUBLISHED QUOTAS FOR SPECIFIC PRODUCTS). THESE CONTROLS ARE IMPOSED BY THE GOT FOR PURPOSES OF CONTAINING AND LIMITING IMPORTS IN ORDER TO PROTECT DOMESTIC INDUSTRY INCLUDING AGRICULTURE, TO LIMIT IMPORTS PRINCIPALLY TO INDUSTRIAL EQUIPMENT AND RAW MATERIALS, AND TO CONSERVE SCARCE FOREIGN EXCHANGE. IN VIEW OF TURKEY'S CRITICAL FOREIGN EXCHANGE SITUATION, IT IS DIFFICULT TO ARGUE THAT THESE CONTROLS SHOULD BE RELAXED AT THIS TIME ALTHOUGH IT IS THE LIMITED OFFICIAL USE

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GOT'S STATED OBJECTIVE TO DO SO WHEN THE ECONOMY SAFELY PERMITS SUCH RELAXATION.

9. DEFINITIONS AND IDENTIFICATION OR CLASSIFICATION OF IMPORTS OF TECHNICAL ITEMS FREQUENTLY SHOULD HAVE FURTHER CLARIFYING DESCRIPTION IN GOT TARIFF SCHEDULE. FREQUENT MISCLASSIFICATION OF IMPORTED PRODUCTS BY UNTUTORED OR CARELESS CUSTOMS OFFICIALS CAUSES DISAGREEMENTS, DELAYS, AND ASSESSMENTS OF HIGHER DUTIES. TECHNICAL, E.G., ELECTRONIC EQUIPMENT, SHOULD INCLUDE "ALL INTEGRAL COMPONENTS OF THE UNIT" BECAUSE SOMETIMES COMPONENT PARTS ARE EXTRACTED BY CUSTOMS AND DEFINED BY CUSTOMS AS SPARE PARTS WHICH ARE SUBJECT TO HIGHER DUTY OR MAY, IN FACT, BE A PROHIBITED IMPORT MAKING THE EQUIPMENT NON-OPERABLE RESULTING IN LONG DRAWN OUT NEGOTIATIONS FOR IMPORTATION OF REQUIRED COMPONENTS. SIMILARLY, ACCESSORIES FOR AN

INSTRUMENT ARE SOMETIMES FOUND UNDER DIFFERENT BRUSSELS NOMENCLATURE NUMBERS THAN THE INSTRUMENT ITSELF AND THEIR IMPORTATION SOMETIMES MADE MORE DIFFICULT AND DUTY HIGHER THAN THE INSTRUMENT ITSELF. THEREFORE SINCE THE ACCESSORIES CANNOT SOMETIMES BE IMPORTED THE INSTRUMENT CANNOT BE USED CONTINUOUSLY IF AT ALL. ALSO CUSTOMS PROCEDURES AND FORMALITIES, FREQUENTLY MAKE IT DIFFICULT TO RETURN SOPHISTICATED INSTRUMENTS TO THE MANUFACTURER FOR SERVICING THAT CANNOT BE PERFORMED IN TURKEY. SUCH FORMALITIES SHOULD BE EASED.

10. REGARDING FOREIGN EXCHANGE AVAILABILITY, IMPORTERS AFTER RECEIVING PERTINENT MINISTERIAL APPROVAL MAY FACE MONTHS OF DELAY IN OBTAINING MINISTRY OF FINANCE (THROUGH CENTRAL BANK) FOREIGN EXCHANGE AUTHORIZATION WHICH IS NECESSARY BEFORE AN IMPORT LICENSE IS OBTAINED OR LETTER OF CREDIT ISSUED. BECAUSE OF TURKEY'S CURRENT FOREIGN EXCHANGE DIFFICULTIES, IN PARTICULAR, THERE ARE NUMEROUS CASES WHERE U.S. FIRMS HAVE PRODUCED THE ITEM ORDERED BY GOV AGENCIES OR PRIVATE FIRMS WHICH SUBSEQUENTLY HAVE BEEN UNABLE TO OBTAIN FOREIGN EXCHANGE AUTHORIZATION AND UNABLE TO OPEN THE NECESSARY LETTER OF CREDIT.

11. RE REFS (A) AND (C) TURKEY'S PRINCIPAL EXPORTS TO THE UNITED STATES ARE AGRICULTURAL PRODUCTS (PRINCIPALLY TOBACCO) AND ALTHOUGH ABOUT 100 PRODUCTS (MOSTLY AGRICULTURAL) ARE SUBJECT TO TIGHT ADMINISTRATIVE CONTROLS, THERE APPEAR TO BE NO CONTROL MEASURES THAT RESTRICT AVAILABILITY OF TURKEY'S EXPORTS IMPORTANT TO THE U.S. LIMITED OFFICIAL USE

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ANKARA'S A-92 OF AUGUST 8, 1975 EXPLAINS IN DETAIL THE NATURE AND EXTENT OF THE EXPORT CONTROLS USED BY THE GOV. A SEPARATE TELEGRAM IS BEING PREPARED IN RESPONSE TO REF (C).
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